# BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application by Sacramento Natural Gas Storage, LLC for a Certificate of Public Convenience and Necessity for Construction and Operation of Natural Gas Storage Facilities and Requests for Related Determinations

**Application No. 07-04-013** (filed April 9, 2007)

#### AMENDMENT TO APPLICATION

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Dated: September 12, 2008

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application by Sacramento Natural Gas Storage, LLC for a Certificate of Public Convenience and Necessity for Construction and Operation of Natural Gas Storage Facilities and Requests for Related Determinations

Application No. 07-04-13 (filed April 9, 2007)

#### AMENDMENT TO APPLICATION

Sacramento Natural Gas Storage, LLC ("SNGS" or "Applicant") hereby further amends its Application filed in this matter on April 9, 2007, as amended by Applicant's Amendment filed on October 9, 2007. This filing is hereinafter referred to as the "Second Amendment."

Applicant is withdrawing its proposal to include a connection with Pacific Gas and Electric ("**PG&E**") Line 712 as part of the proposed SNGS Facility. Applicant still proposes to connect the SNGS Facility to PG&E Line 400/401 utilizing capacity on existing SMUD Line 700, which is connected to Line 400/401 along County Road 29 near County Road 88 in Winters, California.

Applicant is also revising the Facility construction cost estimate provided in Section V.A. of the Application. The revised estimate is the result of the increases in the costs of equipment, labor and materials (especially steel products) that have occurred since the Application was filed.

In the remainder of this Second Amendment, SNGS explains the limited effects that the revised SNGS Facility description and construction cost estimates will have on the Commission's ongoing review of Applicant's requests for authorizations in this proceeding.

#### I. REVISED DESCRIPTION OF FACILITIES

As a result of discussions with PG&E concerning Applicant's proposed interconnection with PG&E Line 172, Applicant has determined that the costs and operational complexities that would result from that interconnection would outweigh the incremental functionality that it would provide for the SNGS Facility. Applicant is therefore withdrawing its proposal to make that interconnection. Applicant continues to propose to connect the SNGS Facility to PG&E Line 400/401 via capacity on existing SMUD Line 700, which is connected to Line 400/401 along County Road 29 near County Road 88 in Winters, California.

This change in SNGS Facility design reduces the environmental footprint of the proposed SNGS Facility, and thus reduces the potential environmental effects from the construction and operation of the proposed SNGS Facility. Applicant has informed the Commission's Energy Division of its intention to eliminate the interconnection with PG&E Line 172 from the SNGS Facility design. It is Applicant's understanding that the draft Environmental Impact Report, which the Energy Division is preparing to document the Commission's evaluation of the proposed SNGS Facility in accordance with the California Environmental Quality Act ("CEQA"), can be modified to address this change in the SNGS Facility design without further data input from Applicant.

Applicant acknowledged its decision to eliminate the interconnection with PG&E Line 172 from the SNGS Facility design in the prepared direct testimony of Jim Fossum served in this proceeding on September 5, 2008. Applicant explained in that testimony that its decision contributed to the resolution in principle of the PG&E interconnection issues that

Applicant and PG&E have achieved. No other party to this proceeding has raised any interconnection issues.

### II. REVISED ESTIMATE OF CONSTRUCTION COST

The Commission's Rule 3.1(f) provides for the Applicant to submit a statement detailing the anticipated fixed and operating costs associated with a proposed Facility, as part of the Applicant's showing that the proposed Facility is in the public interest and is economically feasible. As is noted in the Application, however, the Commission previously has waived these requirements in approving independent natural gas storage facilities that will provide services pursuant to market-based rates. Accordingly, SNGS requested in its Application that the Commission waive the Rule 3.1(f) requirements, but SNGS provided an estimate of the anticipated cost of the construction of the proposed SNGS Facility for the limited purpose of a determination of the fee to be assessed for reimbursement of its environmental review. For that purpose, SNGS estimated the cost of construction of the Facility to be approximately \$40 million.

SNGS filed its Application on April 9, 2007. Since that time there have been increases in the costs of equipment, labor and materials upon which Applicant based its construction cost estimate. The costs of various steel products have increased approximately 40 to 60 percent in just the last six months. As a result, Applicant has adjusted its construction cost estimate to a current estimate of approximately \$57 million.

Inasmuch as Applicant has already paid the full amounts of the three deposits required under Commission Rule 2.5, and is obligated to pay on an ongoing basis all additional costs incurred by the Commission in the preparing the Environmental Impact

Report in this proceeding, Applicant's revised construction cost estimate does not affect its

compliance with Commission Rule 2.5 in this proceeding.

III. **REQUESTS FOR AUTHORIZATIONS** 

Applicant's requests for authorizations in its Application included the request that the

Commission adopt a Mitigation Negative Declaration pursuant to CEQA in connection with

its approval of the construction and operation of the proposed SNGS Facility. In November

2007, however, the Energy Division, with the concurrence of Applicant, determined that an

Environmental Impact Report should be prepared with respect to the proposed SNGS

Facility. Applicant hereby confirms its withdrawal of its request that the Commission adopt

a Mitigated Negative Declaration, and instead requests that the Commission complete and

certify an Environmental Impact Report addressing the proposed SNGS Facility. In all other

respects, Applicant's requests for authorizations with respect to the proposed SNGS Facility

remain as set forth in the Application.

Respectfully submitted,

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[s]

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Dated: September 12, 2008

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#### **VERIFICATION OF APPLICATION**

I, Jim Fossum, declare that I am the Chairman of the Board of Members of Sacramento Natural Gas Storage, LLC ("**Applicant**"), and that I am authorized to make this verification on behalf of Applicant. The statements in the foregoing Amendment to Application are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed September 12, 2008, at Sacramento, California.

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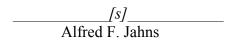
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## **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served by electronic mail to each person listed on the attached service list, and by U.S. Mail to the Assigned Commissioner, in accordance with Rules 1.9, 1.10 and 8.3 of the Commission's Rules of Practice and Procedure, the **AMENDMENT TO APPLICATION** submitted for electronic filing in proceeding A.07-04-013 on September 12, 2008.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated September 12, 2008, at Sacramento, California.





## CALIFORNIA PUBLIC UTILITIES COMMISSION **Service Lists**

PROCEEDING: A0704013 - SACRAMENTO NATURAL G FILER: SACRAMENTO NATURAL GAS STORAGE, LLC

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